Indian Residential Schools Resolution Canada

2007- 2008

Departmental Performance Report

The Honourable Chuck Strahl
Minister of Indian Affairs and Northern Development
and Federal Interlocutor for Métis and Non-Status Indians

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SECTION I: OVERVIEW

Minister's Message

On behalf of Indian Residential Schools Resolution Canada (IRSRC), I am pleased to present to Parliament and the people of Canada the *2007–2008 Departmental Performance Report for Indian Residential Schools Resolution Canada.*

The Indian Residential Schools Settlement Agreement (IRSSA) is the largest class action settlement in Canadian history. The Government announced on May 10, 2006 that the IRSSA was approved by all parties involved: the Government of Canada, legal counsel for former students, Churches, the Assembly of First Nations, and Inuit Representatives. Implementation of the IRSSA began on September 19, 2007, and since then a considerable amount of work has been completed.

With the successful implementation of the Settlement Agreement, survivors of Indian Residential Schools, their families and communities now have access to various individual and collective measures. Common Experience Payments have been paid to eligible former students of Indian Residential Schools and continue to be paid, and an Independent Assessment Process for claims of sexual or serious physical abuse has been established. Measures have been put into place to support healing such as the Indian Residential Schools Resolution Health Support Program and an endowment to the Aboriginal Healing Foundation, and commemorative activities will also take place in the coming months. All of these activities mark significant milestones in our journey toward healing and reconciliation.

On June 1, 2008, another significant milestone occurred: the creation of the Indian Residential Schools Truth and Reconciliation Commission. This was closely followed on June 11, 2008 by a historic event. On behalf of the Government of Canada and all Canadians, Prime Minister Stephen Harper offered a formal apology in the House of Commons to former students of Indian Residential Schools and sought forgiveness for the students' suffering and for the damaging impact the schools had on Aboriginal culture, heritage and language.

Also in June 2008, IRSRC was integrated into Indian and Northern Affairs Canada. The newly established Resolution and Individual Affairs Sector will continue with the important work of implementing the Settlement Agreement and focusing federal efforts toward managing and resolving abuse claims in a fair, non-adversarial manner. This Departmental Performance Report describes the IRSRC's performance for fiscal year 2007-2008 and its commitment to resolving the legacy of Indian Residential Schools.

The Honourable Chuck Strahl, P.C., M.P.

Management Representation Statement

I submit for tabling in Parliament, the 2007–08 Departmental Performance Report for Indian Residential Schools Resolution Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–08 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Strategic Outcome(s) and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Name:	Michael Wernick
Title:	Deputy Minister

Summary Information

Department's Reason for Existence - Indian Residential Schools Resolution Canada is dedicated to addressing and resolving issues arising from the legacy of Indian Residential Schools. Within its mandate, the Department has undertaken to:

- Work with former students of Indian Residential Schools, their families and communities, other federal government departments, provincial and territorial governments, Aboriginal peoples and organizations, Churches involved in running Indian Residential Schools, and other interested groups on the implementation of the Settlement Agreement and in support of initiatives that promote healing and reconciliation; and,
- Resolve claims in a timely fashion, through litigation and other methods of dispute resolution that are compassionate for claimants.

Financial Resources ($ millions)

	2007-08	
Planned Spending	**Total Authorities**	**Actual Spending**
$592.6	$623.1	$519.9

Human Resources (Full-time equivalents)

	2007-08	
Planned	**Actual**	**Difference**
604	456	148

Departmental Priorities

Name	Type	Performance Status
1. Supporting court approval and ensuring successful implementation of the Settlement Agreement.	Ongoing	Successfully met
2. Resolving claims efficiently and compassionately through the National Resolution Framework.	Ongoing	Successfully met
3. Maintaining effective and collaborative partnerships with Aboriginal peoples and their communities.	Ongoing	Successfully met

Program Activities by Strategic Outcome

	Expected Results	Performance Status	2007-2008		Contributes to the following priority
			Planned Spending	Actual Spending	
Strategic Outcome: To advance reconciliation among former students of Indian Residential Schools and the Government of Canada					
Program Activity: Resolution of claims	340 Litigation settlements, 1,500 Alternative Dispute Resolution decisions, and 500 Independent Assessment Process, claim process based on a Settlement Agreement Implementation Date of November 01, 2007.	Successfully met	$ 592.6M	$519.9M	Priority Numbers 1, 2 and 3

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Analysis by Program Activity

Strategic Outcome

The Department has one strategic outcome which is to advance reconciliation among former students of Indian Residential Schools and the Government of Canada.

Program Activity: Resolution of claims

The Department has one program activity which is the resolution of claims associated with the operation of the former Indian Residential School system. The Department focuses all its efforts on this program activity via the operation of the National Resolution Framework and the implementation of the Settlement Agreement. In this reporting year, the Department continued to prepare the transition from the operation of the National Resolution Framework to the successful implementation of the Settlement Agreement.

Financial Resources

Planned Spending	Authorities	Actual Spending
$592.6	$623.1	$519.9

Human Resources

Planned	Actual	Difference
604 FTEs	456 FTEs	148 FTEs

Alternative Dispute Resolution

Almost all claims in 2007-08 were handled via the Alternative Dispute Resolution process. The Alternative Dispute Resolution process is a voluntary and confidential process designed to be a timely, fair and safe way for claimants to resolve validated physical and sexual abuse claims, including wrongful confinement claims, outside of the litigation process. Applications for claimants who are 60 years and older and/or are in failing health are given priority. The Alternative Dispute Resolution process involves an application process and private hearings before an independent adjudicator. The Adjudicator, as an independent decision-maker, is responsible for setting compensation awards within an established compensation framework. The claimant has the option to accept the award, appeal the decision or pursue litigation.

The Department continued to accept Alternative Dispute Resolution applications until the final court Approval Date of the Settlement Agreement September 19, 2007, after which point applications were no longer received into the existing process. Alternative Dispute Resolution applications received on or before the expiration of the Approval date for which a hearing had not been set as of the Implementation Date which alleged only physical abuse will continue to be processed under the Alternative Dispute Resolution

Model unless the claimant elects to transfer it to the Independent Assessment Process. Any application which included an allegation of sexual abuse was transferred to the Independent Assessment Process unless the claimant, within 60 days of receiving notice of the proposed transfer, elected in writing to remain in the Alternative Dispute Resolution Process.

The Department settled 1,286 Alternative Dispute Resolution claims during 2007-2008.

Litigation

Some claimants chose to resolve their claims through litigation rather than through the Alternative Dispute Resolution Process or the Independent Assessment Process. The Department represents the Government of Canada in Indian Residential Schools claims and works closely with Justice Canada to resolve claims for those who opted-out prior to entering the trial stage. Counsel for claimants in litigation who are elderly or who are ill may approach the Department to seek expedition in the resolution of their claims out of court. Litigation is dependent on the rules of the Court and its schedules.

The Department settled 372 litigation claims for the period of April 1, 2007 to September 19, 2007, the date for the implementation of the Settlement Agreement.

Resolution Health Support Program

The Resolution Health Support Program delivered by Health Canada provides a variety of flexible "frontline" safety supports and coordination services directly to Indian Residential Schools survivors involved in both the Alternative Dispute Resolution process and the litigation process. Services include access to mental health counselling sessions, on-site emotional health supports by trained Aboriginal health providers, and transportation costs to traditional healers, to ensure that former students and family members have access to appropriate levels of counselling and mental health supports. Indian Residential Schools Resolution Canada funds a 24-hour crisis support line that is operated by trained Aboriginal crisis support workers.

Although Indian Residential Schools Resolution Canada has overall responsibility for the National Resolution Framework, the Resolution Health Support Program component is delivered and funded by Health Canada.

Common Experience Payment

A Common Experience Payment is paid to every eligible former student living on May 30, 2005, the day the negotiations were initiated, who resided at a recognized Indian Residential School. The Settlement Agreement stipulates that $1.9 Billion be set aside for the direct benefit of former Indian Residential Schools survivors. Subject to verification, each eligible former student who applies will receive $10,000 for the first year or part of a year of residence as well as an additional $3,000 for each subsequent year or part of a year of residence. Funds remaining after eligible students have received their entitlement from the $1.9 Billion Designated Amount will be provided to Aboriginal

education foundations with the intention of supporting learning needs of Aboriginal students.

The Government of Canada (IRSRC) has reached an agreement with all provinces and territories, and all federal departments to ensure that payments to former students provided for in the IRSSA do not affect social assistance or other benefit payments. Settlement payments will not be subject to income taxes.

An appeal mechanism is available to any applicant who has been non-approved under the Common Experience Payment process. While Service Canada is responsible for delivering and reporting to Parliament on expenditures related to the Common Experience Payment, the Department provides research support for verification of student residence. The Department also provides the required documentation for appeals.

As at March 31, 2008, $1.19B had been paid representing 61,473 cases.

Independent Assessment Process

As part of the Settlement Agreement, the Independent Assessment Process (IAP) was developed to provide a non-adversarial adjudication of individual claims of abuse arising from or connected to the IRS system. The IAP is intended to resolve claims of sexual and serious physical abuse, as well as other wrongful acts which have caused serious psychological consequences to the claimant.

Former students of an IRS who did not opt-out of the IRSSA and former residents who were abused after being permitted on the premises of an IRS by a staff member to take part in an authorized activity while they were under 21 years old can apply for the IAP.

While the IAP adopts some features of the former Alternative Dispute Resolution process (ADR), it is managed and operated in an independent fashion. Moreover, there are many parts of the IAP that improve the former ADR process. Prominent among its enhancements is the IAP's increased range of compensation. The former ADR process is no longer accepting applications and is resolving its final claims.

Any ADR application which included an allegation of sexual abuse was transferred to the IAP unless the claimant, within 60 days of receiving notice of the proposed transfer, elected in writing to remain in ADR. ADR claims that were not eligible for transfer to the IAP remain in the ADR and will be resolved under the former ADR model.

The IAP is the new framework for claim resolution. Claimants that have not made or settled a claim may apply to the IAP for resolution of their claims of residential schools abuse.

The IRSSA places strict obligations on the Adjudication Secretariat and the deadline for receiving IAP applications is September 19, 2012.

During the ramp up period (from Sept. 19, 2007 to Mar. 19, 2008), major efforts were made at the Indian Residential Schools Adjudication Secretariat (IRSAS) to develop business processes and staff up in order to prepare hundreds of files for which a hearing will be scheduled within the prescribed 9 month period.

For the 12 month period following March 19, 2008, and every year thereafter, the Secretariat must process at least 2,500 claims. In addition, in accordance with the Settlement Agreement, the first 2,500 applications admitted to the IAP must have a hearing scheduled within a 9 month period (December 19, 2008), or shortly thereafter. Beyond the 1st year of implementation, all claims admitted are subject to the 9 month rule for scheduling a hearing.

Due to the large influx of ADR claims in anticipation of the settlement agreement the Adjudication Secretariat focused efforts on processing DR claims. The Secretariat also used the ramp up period to increase staff resources and to implement processes and procedures for IAP claims. The Secretariat processed (hearings held) 1461 ADR Claims and 24 new IAP claims in the 07/08 fiscal year. On March 31, 2008, it had a total inventory of 2,780 IAP claims.

Indian Residential Schools Truth and Reconciliation Commission

The IRSSA includes the establishment of an Indian Residential Schools (IRS) Truth and Reconciliation Commission to contribute to truth, healing and reconciliation. The objectives of the IRS Truth and Reconciliation Commission include the following: to acknowledge Indian Residential Schools experiences; to promote and facilitate truth and reconciliation events at both the national and community levels; to develop as complete an historical record as possible of the Indian Residential Schools system and legacy; to promote awareness and public education of Canadians about the Indian Residential Schools system and its impacts; and to support commemoration initiatives of former Indian Residential Schools survivors and their families.

The Chair of the IRS Truth and Reconciliation Commission and two other commissioners were appointed in June 2008. The IRS Truth and Reconciliation Commission will be established in accordance with its duties under the IRSSA.

Commemoration

Commemoration is a way of honouring, celebrating and paying tribute to former students by acknowledging their experiences and the broader systemic impacts of the Indian Residential Schools system. A total of $20 million will be available for funding of regional and national commemoration initiatives over five years. Former students of Indian Residential Schools, their families, communities or other groups will be able to submit proposals for commemoration initiatives to the IRS Truth and Reconciliation Commission following its inception.

Although $2M in commemoration was planned for 2007-08, it was not spent as the IRS Truth and Reconciliation Commission had not yet been established.

Contributions of Church Entities

Church entities involved in the administration of Indian Residential Schools will contribute up to a total of $100 million in cash and services toward healing initiatives. The Department has been working with the Church entities and the Assembly of First Nations on Healing and Reconciliation Services as mandated under the IRSSA. These Committees will ensure that in-kind services and admissible programs and grants of monies are directed to healing and reconciliation for former Indian Residential Schools students and their families.

Phase II Notice Plan

Phase II of the Notice Plan, as outlined in Schedule K of the IRSSA, announced the final Court approval of the Agreement and the beginning of the 150-day Opt-Out period. Phase II also outlined the IRSSA's benefits, described how and when former students can exercise their legal rights (including the right to opt-out of the agreement) and provided information about the claims application process. This was done through a number of communications tools including regional and national television, radio, and print advertisements, advertisements on the Aboriginal People's Television Network, and direct mailings of information to Band Offices, Tribal Council Offices, and Friendship Centres. Phase II also used the information hotline and website that was created during Phase I of the Notice Plan and featured an enhanced outreach component.

As of March 31, 2008, the Phase II Notice Plan was completed.

Aboriginal Healing Foundation

The Aboriginal Healing Foundation is an Aboriginal operated, not-for-profit Corporation operating independently of Government. The Government issued $125 million through a grant and contribution to the Aboriginal Healing Foundation in order for it to continue addressing healing needs of Aboriginal people affected by the legacy of Indian Residential Schools through community based projects.

Legal Fees

The IRSSA establishes a framework for the payment of legal fees for counsel who are members of the National Consortium, the Merchant Law Group or who have a retainer agreement or substantial solicitor-client relationship with Eligible Common Experience Payments recipients. The Settlement Agreement sets aside $100 million for the payment of legal fees.

Governance and Administration of the Settlement Agreement

The IRSSA is the result of a class action settlement which binds all parties as approved by the Courts. There will be no possibilities for derogation and the Courts have the authority to make the Government of Canada accountable for breaches of the IRSSA within its responsibilities.

Indian Residential Schools Resolution Canada is the lead Department for the administration of programmatic elements within the IRSSA and shares program delivery responsibilities with Health Canada and Service Canada.

Indian Residential Schools Resolution Canada is responsible for the administration of the Independent Assessment Process; the implementation of the Indian Residential Schools Truth and Reconciliation Commission; the Commemoration Program; and the transfer of a $125 million endowment for a five year period to the Aboriginal Healing Foundation in accordance with the Funding Agreement included in the Settlement Agreement. Health Canada will be responsible for delivery of the Resolution Health Support Program and Service Canada for the delivery of the Common Experience Payment. In addition, Indian Residential Schools Resolution Canada will participate in the work of Church committees responsible to ensure that admissible in-kind programs and services are directed to healing and reconciliation for former students of Indian Residential Schools and their families.

The administrative concerns raised by five Courts have been addressed through the appointment of an *amicus curiae*, or 'friend of the court'. This person funded by the Government and has authority to monitor Canada's compliance with the IRSSA. The *amicus curiae* has the authority to make non-binding recommendations, with recourse to the Courts in case of disagreement in relation to compliance. The Government has undertaken to provide full access to the *amicus* on the administration of the Common Experience Payment and Independent Assessment Process for the sole purpose of reporting to the Courts. In short, the *amicus'* role is limited to retrieval of information and reporting to the Court. It will have no authority to direct the Government or make binding recommendations to the Government. By contrast, the Court, upon receipt of advice and information from the *amicus*, could require parties to the IRSSA to comply with the terms of the IRSSA if it appears there is non-compliance. This is, in any event, a part of the Court's residual or ongoing supervisory role pursuant to the various provincial class actions legislation.

SECTION III: SUPPLEMENTARY INFORMATION

Departmental Link to Government of Canada Outcome Areas

Strategic Outcome: To advance reconciliation among former students of Indian Residential Schools and the Government of Canada				
	Actual Spending 2007-08			Alignment to Government of Canada Outcome Area
	Budgetary	Non-budgetary	Total	
Program Activity: Claims Resolution	$519.9	0	$519.9	Healthy Canadians

Table 1: Comparison of Planned to Actual Spending (including FTEs)

($ millions)	2005–2006 Actual	2006–2007 Actual	2007–2008			
			Main Estimates	Planned Spending	Total Authorities	Actual
Claims Resolution	$159.2	$224.5	$596.7	$592.6	$623.1	$519.9
Total	$159.2	$224.5	$596.7	$592.6	$623.1	$519.9
Less: Non-respendable revenue	0	0	N/A	0	N/A	0
Plus: Cost of services received without charge	$5.3	$6.5	N/A	$8.8	N/A	$6.9
Total Departmental Spending	$164.5	$231.0	N/A	$601.4	N/A	$526.8
Full-time Equivalents	208	276	N/A	604	N/A	456

Explanatory Note:

The $519.9 million in actual spending includes $186.4 million of payments under the Settlement Agreement. Payments under the Common Experience Program are reported through Service Canada.

Table 2: Voted and Statutory Items

Vote or Statutory Item	Truncated Vote or Statutory Wording	2007–2008			
		Main Estimates	Planned Spending	Total Authorities	Actual
55	Operating expenditures	$452.9	$448.8	$460.4	$385.1
60	Grants and contributions	$134.0	$134.0	$159.0	$131.1
(S)	Contributions to employee benefit plans	$9.8	$9.8	$3.7	$3.7
	Total	$596.7	$592.6	$623.1	$519.9

Table 9: Financial Statements of Departments and Agencies (including Agents of Parliament) and Revolving Funds Financial Statements

Indian Residential Schools Resolution Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act,* are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited.

Michael Wernick, Deputy Minister
(Ottawa, Canada)
(July 25, 2008)

Jim Quinn, Chief Financial Officer

Statement of Operations (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

	2008	2007
Transfer payments		
Transfer payments to Aboriginal groups	317,479	160,599
Less: Change in allowance for claims and litigation (Note 6)	(1,835,088)	(148,783)
Net transfer payments	(1,517,609)	11,816
Operating expenses		
Professional and special services (1)	146,770	52,120
Salaries and employee benefits	31,970	22,025
Communications professional Services	12,656	2,811
Other operating	9,898	3,908
Accommodation	4,754	3,027
Travel	4,740	3,502
Amortization of tangible capital assets	759	522
Total operating expenses	211,547	87,915
Total Expenses	**(1,306,062)**	**99,731**
Revenues		
Miscellaneous revenues	6	5
Total Revenues	**6**	**5**
Net Cost of Operations	**(1,306,068)**	**99,726**

(1) Professional and special services for 2008 includes $84.6M in legal fees paid as a result of the implementation of the Settlement Agreement.

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position (*Unaudited*)
At March 31
(in thousands of dollars)

	2008	2007
ASSETS		
Financial assets		
Cash	5,620	2,729
Accounts receivable (Note 4)	6,759	5,113
Advances	48	16
Total financial assets	12,427	7,858
Non-financial assets		
Prepaid expenses	-	6
Tangible capital assets (Note 5)	1,417	1,838
Total non-financial assets	1,417	1,844
TOTAL	**13,844**	**9,702**
Liabilities		
Accounts payable and accrued liabilities	110,408	25,055
Vacation pay and compensatory leave	478	478
Allowance for claims and litigation (Note 6)	967,307	2,802,395
Employee severance benefits (Note 7)	5,772	3,627
	1,083,965	2,831,555
Equity of Canada	(1,070,121)	(2,821,853)
TOTAL	**13,844**	**9,702**

Contingent liabilities (Note 6)

The accompanying notes form an integral part of these financial statements.

Statement of Equity of Canada (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

	2008	2007
Equity of Canada, beginning of the year	(2,821,853)	(2,971,014)
Net cost of operations	1,306,068	(99,726)
Current year appropriations used (Note 3)	519,864	224,524
Refund of previous year's expenditures	256	120
Change in the net position in the Consolidated Revenue Fund (Note 3)	(81,332)	17,774
Services received without charge from other departments (Note 8)	6,876	6,469
Equity of Canada, end of the year	**(1,070,121)**	**(2,821,853)**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2008	2007
Operating activities		
Cash paid for:		
Transfer payments to Aboriginal groups	(317,479)	(160,599)
Salaries and Employee benefits	(27,893)	(19,921)
Professional and special services	(146,581)	(33,277)
Travel	(4,740)	(3,502)
Communications professional Services	(12,656)	(2,811)
Other operating	(10,156)	(4,027)
Other Adjustments	81,075	(17,894)
Advances and prepaid expenses	(26)	(9)
Cash received from:		
Miscellaneous revenues	6	5
Cash used by operating activities	(438,450)	(242,035)
Capital investment activities		
Acquisitions of tangible capital assets	(338)	(383)
Cash used by capital investment activities	(338)	(383)
Financing activities		
Net cash provided by Government of Canada	438,788	242,418

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements (unaudited)

1. Authority and Objectives

Indian Residential Schools Resolution Canada (IRSRC) was established by Order-in-Council (P.C. 2001-994) on June 4, 2001 and is a department listed in Schedule IV of the Financial Administration Act.

IRSRC is dedicated to resolving the legacy for the estimated 80,000 individuals who attended Indian residential schools and meeting the needs of the more than 13,000 former students seeking compensation for abuses they suffered at these schools.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – IRSRC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to IRSRC do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – IRSRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by IRSRC is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by IRSRC. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues:

- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses – Expenses are recorded on the accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements;
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement;
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (Public Service Superannuation), a multiemployer program administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable are stated at amounts expected to be ultimately realized.

Notes to the Financial Statements (unaudited)

(h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	**Amortization period**
Machinery & equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years

(j) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Notes to the Financial Statements (unaudited)

3. Parliamentary Appropriations

IRSRC receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, IRSRC has different net costs of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:

	2008	2007
	(in thousands of dollars)	
Net cost of operations	(1,306,068)	99,726
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Change in allowance for claims and litigation (Note 6)	1,835,088	148,783
Legal services from Justice Canada not charged to appropriations	-	(16,776)
Services provided without charge	(6,876)	(6,469)
Amortization of tangible capital assets	(759)	(522)
Refund of previous year's expenditures	256	120
Employee severance benefits	(2,145)	(729)
Other adjustment	(27)	(14)
	519,469	224,119
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Capital Acquisitions of tangible assets	369	383
Prepaid expenses and advances	26	22
Current year appropriations used	**519,864**	**224,524**

Notes to the Financial Statements (unaudited)

(b) Appropriations provided and used

	2008	2007
	(in thousands of dollars)	
Vote 55 - Operating Expenditures	460,390	-
Vote 60 - Grants and Contributions	159,000	-
Vote 52 - Operating Expenditures	-	234,333
Vote 54 - Contributions	-	6,000
Statutory amounts	3,732	2,737
Less:		
Lapse available for future years	(103,258)	(18,546)
Current year appropriations used	**519,864**	**224,524**

(c) Reconciliation of net cash provided by Government to current year appropriations used:

	2008	2007
	(in thousands of dollars)	
Net cash provided by Government	438,788	242,418
Refund of previous year's expenditures	(256)	(120)
Change in the net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(1,678)	(514)
Variation in accounts payable and accrued liabilities	85,353	1,513
Other adjustments	(2,343)	(18,773)
	81,332	(17,774)
Current year appropriations used	**519,864**	**224,524**

Notes to the Financial Statements (unaudited)

4. Accounts Receivable

The following table presents details of accounts receivable:

	2008	2007
	(in thousands of dollars)	
Receivables from other Federal Government departments and agencies	6,828	5,113
Receivables from external parties	(69)	-
Total	6,759	5,113

The receivables from external parties were credited to FRA 11221 in error and, therefore, the actual balance should be a debit of $69,000.

5. Tangible Capital Assets

Tangible Capital Assets

(in thousands of dollars)

	Cost				Accumulated amortization					
Capital asset class	Opening balance	Acquisitions	Disposals & write-offs	Closing balance	Opening balance	Amortization	Disposals & write-offs	Closing balance	2008 Net book value	2007 Net book value
Machinery and equipment	31	-	(31)	-	-	-	-	-	-	31
Informatics hardware	1,116	351	-	1,467	481	311	-	792	675	635
Informatics software	1,807	18	-	1,825	635	448	-	1,083	742	1,172
	2,954	369	(31)	3,292	1,116	759	-	1,875	1,417	1,838

Amortization expense for the year ended March 31, 2008 is $759,000 (2007 - $522,000).

Notes to the Financial Statements (unaudited)

6. Contingent Liabilities

Claims and litigation

IRSRC was established to resolve claims and to address issues arising from the legacy of Indian residential schools. There are 12,469 claims being managed by the department in this regard, including class action claims. In May 2006, the department reached an independent settlement agreement to resolve these claims. The settlement agreement was implemented in September 2007 by the courts. IRSRC has recorded a liability of $967 million in 2008 ($2,802 million in 2007) to reflect the estimated costs to settle claims. The adjustment to the liability of $1,835 million has been recorded against transfer payments to Aboriginal groups on the Statement of Operations.

7. Employee Benefits

(a) Pension benefits: IRSRC employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2007-08 expense amounts to $2,720,745 ($2,017,300 in 2006-07) which represents approximately 2.2 times (2.2 in 2006-07) the contributions by employees.

IRSRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

Notes to the Financial Statements (unaudited)

(b) Severance benefits: The department provides severance benefits to its employees based on eligibility, year of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2008	2007
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	3,627	2,898
Expense for the year	2,229	924
Benefits paid during the year	(84)	(195)
Accrued benefit obligation, end of year	5,772	3,627

Notes to the Financial Statements (unaudited)

8. Related party transactions

IRSRC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments as presented in part (a).

(a) Services provided without charge:

During the year the department received without charge from other departments, accommodation, legal fees and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as follows:

	2008	2007
	(in thousands of dollars)	
Accommodation	4,754	3,027
Employer's contribution to the health and dental insurance plan	1,933	1,375
Legal Services	189	2,067
Total	6,876	6,469

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The cost of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Department's Statement of Operations.

Notes to the Financial Statements (unaudited)

(b) Payables and receivables outstanding at year-end with related parties:

	2008	2007
	(in thousands of dollars)	
Accounts Receivable with other government and agencies (1) & (2)	6,828	5,113
Accounts Payable to other government and agencies	6,355	3,978

(1) A receivable of $6,037,840 in 2007-08 ($3,668,823 in 2006-07) is a credit adjustment made by Treasury Board Secretariat to the amount contributed by IRSRC to the Employee Benefit Plan.

(2) The receivable figure for 2007 has been adjusted from $3,969,000 to $5,113,000 to include the GST Refundable Advance Account.

9. Subsequent Events

Pursuant to Order in Council P.C. 2008-805 dated April 25, 2008, Indian Residential Schools Resolution Canada (IRSRC) was amalgamated with Indian and Northern Affairs Canada (INAC) under the Minister of INAC, effective June 1, 2008. This amalgamation will result in an equity adjustment in the 2008-2009 fiscal year. At March 31, 2008, the net assets of INAC included total assets of $909,619,000 and total liabilities of $14,688,518,000. INAC's assets are comprised mainly of accounts receivable and loans, while their liabilities are comprised mainly of allowance for claims and litigation, environmental liabilities, and trust accounts. For the year ended March 31, 2008, INAC's net cost of operations was $7,992,565,000, comprised mainly of transfer payments.

10. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.